

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 ISO-00 FEA-01 AGRE-00 CEA-01

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TO SECSTATE WASHDC 7814

INFO USMISSION EC BRUSSELS

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AMCONSUL DUSSELDORF

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

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AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, EGEN, EEC

SUBJECT: STEEL: INTERNAL EC DISCUSSIONS AND FRG
DOMESTIC SITUATION

REF: (A) EC BRUSSELS 4033, (B) BONN 6065

1. FRG ECONMIN REP (OLLIG) HAS GIVEN US A BRIEFING ON
THE STATUS OF INTERNAL EC DISCUSSIONS OF MEASURES TO
DEAL WITH THE STEEL CRISIS. INITIAL DISCUSSIONS
HAVE BEEN HELD DURING THE LAST TWO WEEKS.

2. ACCORDING TO OLLIG, ITALIANS WERE, AS EXPECTED,
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ANGRY THAT MANDATORY MINIMUM PRICES ARE BEING
CONSIDERED FOR A PRODUCT WHICH THE ITALIANS BELIEVE
THEY CAN PRODUCE IN COMPETITION WITH ANYONE IN THE
WORLD. THEY COMPLAINED THEY ARE BEING PUNISHED FOR
EFFICIENCY. FRG REP SUPPORTED THE ITALIAN POSITION
AND THE BRITISH TOOK SURPRISINGLY NON-COMMITTAL
ATTITUDE. FRENCH SUPPORTED THE COMMISSION PROPOSAL,

BUT OLLIG SPECULATED THAT, IF BRITISH, ITALIANS, AND GERMANS IN THE END OPPOSE THIS MEASURE, COMMISSION MAY NOT WISH TO USE ITS POWERS TO IMPOSE MANDATORY MINIMUM PRICES OVER THEIR HEADS. OLLIG HAD EXPECTED QUICK ACTION ON REINFORCING STEEL AND WAS PREPARED TO ACCEPT THE INEVITABLE, BUT, IF THE BRITISH REFUSE TO SUPPORT THE COMMISSION PROPOSAL, OLLIG BELIEVES THE ISSUE MAY BE IN DOUBT. A DECISION WILL PRESUMABLY BE MADE DURING FURTHER DISCUSSIONS IN COREPER (APR 28) AND THE EC MINISTERIAL (MAY 3).

3. FRG SUPPORTED THE COMMISSION PROPOSAL FOR GUIDELINES TO CONTROL NATIONAL SUBSIDY PROGRAMS. AN EC SUBSIDY GUIDELINES AGREEMENT, AS PROPOSED BY THE COMMISSION, WOULD PROHIBIT GOVERNMENTS FROM SUBSIDIZING THEIR STEEL INDUSTRIES TO PRESERVE INEFFICIENT CAPACITY. THE GUIDELINE PROPOSAL, HOWEVER, HAS NOT YET BEEN ADOPTED AND WAS NOT DISCUSSED IN DETAIL. THE FRENCH AND BELGIAN NATIONAL STEEL PLANS ALSO WERE NOT RAISED DURING RECENT MEETINGS, ALTHOUGH OLLIG UNDERSTANDS THAT THE BELGIANS HAVE ENGAGED THE AMERICAN CONSULTING FIRM, MCKENZIE, TO ADVISE AS TO HOW TO PROCEED WITH THEIR RESTRUCTURING PLAN.

4. TURNING TO THE SITUATION IN THE FRG, OLLIG COMMENTED THAT THE GERMAN GOVERNMENT COULD NOT DECIDE WHAT TO DO ABOUT THE PROBLEMS OF THE SAAR STEEL INDUSTRY. OLLIG STATES THAT THE FEDERAL GOVERNMENT HAS NOW TRIED TO PUT THE BURDEN OF DEVISING A "PLAN" LIMITED OFFICIAL USE

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ON INDUSTRY REPS THEMSELVES, BUT HAS NOT YET RECEIVED A PROPOSAL FROM THE COMPANIES. HOWEVER, ONE OF THE SAAR PRODUCERS HAS RECENTLY ANNOUNCED AN EARLY RETIREMENT PROGRAM, COSTING DM 20 MILLION, TO REDUCE ITS WORK FORCE. OLLIG FOR THE FIRST TIME ALSO RAISED THE POSSIBILITY OF GOVERNMENT ASSISTANCE TO PERMANENTLY SET ASIDE INEFFICIENT STEEL CAPACITY (FRG ALREADY HAS A SIMILAR PROGRAM FOR THE COAL INDUSTRY).

5. THERE WAS A MODEST UPTURN IN THE NEW ORDERS RECEIVED BY THE GERMAN STEEL INDUSTRY IN MARCH. OLLIG ATTRIBUTED SOME OF THIS IMPROVEMENT, HOWEVER, TO ANTICIPATORY BUYING BY STEEL PROCESSORS AS A RESULT OF THE COMMISSION MINIMUM PRICE PROPOSALS. THE IMPROVED FIGURES WILL HAVE TO BE CONFIRMED IN COMING MONTHS IN ORDER TO BE MEANINGFUL.
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